

VZCZCXRO1259

PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDBU RUEHDF RUEHIK RUEHLH RUEHLN
RUEHLZ RUEHNEH RUEHPW RUEHROV RUEHSK RUEHSR RUEHVK RUEHYG
DE RUEHAH #0763/01 1681313
ZNR UUUUU ZZH
P 171313Z JUN 09
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 2987
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5323
RUEHBJ/AMEMBASSY BEIJING 3051
RUEHKO/AMEMBASSY TOKYO 2916
RUEHIT/AMCONSUL ISTANBUL 3567
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RHMCSUU/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUEHVEN/USMISSION USOSCE 3628

UNCLAS SECTION 01 OF 04 ASHGABAT 000763

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB

E.O. 12958: N/A

TAGS: [ETRD](#) [PREL](#) [EIND](#) [EFIN](#) [TX](#)

SUBJECT: TURKMENISTAN -- A NEGLECTED OPPORTUNITY FOR U.S.
BUSINESSES

REF: A. 07 ASHGABAT 1169
[1](#)B. 08 ASHGABAT 1388
[1](#)C. ASHGABAT 476
[1](#)D. ASHGABAT 197

[1](#)1. (SBU) SUMMARY: Although Turkmenistan's population is small, the country's wealth -- due primarily to its natural gas deposits -- makes it a potentially attractive market for U.S. businesses. Obstacles include a restrictive visa regime, lack of rule of law, bureaucracy and corruption. Despite these obstacles, a range of U.S. companies in various sectors are successfully pursuing business in Turkmenistan. While the forms of engagement vary from direct investment to working through local distributors and European affiliates, they all share certain qualities and practices that are key to success for foreign businesses in Turkmenistan. Quality products and services, cutting-edge technology, exceptional customer service, local investment and training and long-term perspective are among these traits. Looking forward, both the U.S.-Turkmenistan Business Council and the U.S. Government's trade promotion entities could play significant roles in making U.S. business aware of the opportunities in the Turkmen market and facilitating interested companies' efforts to enter that market. For those companies willing to make the necessary investment in time and resources, Turkmenistan could become a profitable market, as the experience of some U.S. companies already shows. END SUMMARY.

A MARKET WITH BOTH POTENTIAL AND OBSTACLES

[1](#)2. (SBU) Turkmenistan is about the size of California and has an estimated population of only five million people. However, it also has access to great wealth as the world's fourth largest producer of natural gas. Other key sectors include oil, refined oil products, and textiles. Despite Turkmenistan's resource wealth, many potential investors and trade partners find the country's restrictive visa regime, taxation policy, lack of commercial arbitration mechanisms, and absence of an in-country foreign business council to be significant barriers to doing business. Pervasive corruption and a glacially slow bureaucracy, based on a top-down, non-transparent decision-making structure, are also aspects

of doing business in Turkmenistan that need to be taken into account in preparing a business strategy.

U.S COMPANIES HAVE A TRACK RECORD OF SUCCESS

13. (SBU) U.S. companies approach the Turkmen market in various ways. Several operate through regional or European subsidiaries. Food and beverage manufacturers such as Coca-Cola Company and Mars/M&M operate through regional offices: Coca-Cola through a Turkish affiliate and Mars/M&M through its offices located in Azerbaijan. Pharmaceuticals manufacturer Eli Lilly and Company serves the Turkmen market out of its office in Almaty, Kazakhstan (Ref. A). Heavy equipment manufacturer Caterpillar is represented by the local office of German firm Zeppelin, and farming equipment manufacturers John Deere and Case New Holland are represented by an Austrian distributor. However, businesses such as aircraft manufacturer Boeing and oil field services companies such as Parker Drilling, Weatherford and Schlumberger have established direct relationships with the government and state-owned entities. U.S. poultry is popular in Turkmenistan, and exporters such as Tyson Foods and Pilgrims Pride have direct relationships with Turkmenistan's Ministry of Trade and Foreign Economic Relations (Ref. B).

SOME COMMON TRAITS OF U.S. BUSINESS SUCCESSES

14. (SBU) Despite the various challenges of the Turkmen market, some U.S. companies have found success in Turkmenistan. While no one approach is applicable to all products and sectors, the winners share certain qualities and

ASHGABAT 00000763 002 OF 004

practices.

-- QUALITY: World-class name recognition for providing top quality products and services can go far to open doors for potential market entrants. The Turkmen Government has shown that it is willing to pay top dollar to companies that can provide goods and services in its priority areas. The companies mentioned above fall in this category. Many of these companies formed relationships early in Turkmenistan's independence and built staying power over time.

-- HIGH TECHNOLOGY: Turkmen officials seek out high tech solutions to the country's problems, hoping to leapfrog from its Soviet legacy into the 21st century. Wide-ranging areas such as education, healthcare, industrial production, a resort industry, and energy (including but not limited to the oil and gas sector) are government priorities for accelerated development. The country is able to pay for practically any equipment or technology available and it has bought an impressive array of computers, printers, LED traffic lights, security cameras, communications and television equipment, upgrades to oil and gas equipment, forensic laboratory equipment, fingerprint programs, and security helicopters, to name a few.

-- TRAINING: The Turkmen Government wants to do business with companies that it perceives as long-term partners who will invest in the development of the country. Turkmenistan requires that 70 percent of staff in local offices are Turkmen citizens and encourages foreign companies to train local staff. This can mean providing training above and beyond what is usually given to a customer, beginning with short training programs in and around Turkmenistan and culminating in several long-term full scholarships for university students to study abroad.

-- CUSTOMER SERVICE: In many respects, Turkmenistan is a buyer's market, with European, Russian and Asian companies vying for a piece of the action. Attentiveness to and providing customer service without delay can be critical, which may require establishing, at a minimum, an in-country representative office. Although frustrating, waiting for hours to meet with a minister after the ministry urgently

calls for the meeting is likewise part of the attentiveness that Turkmen officials expect. Some companies deliver spare parts by chartered plane in order to minimize delay.

-- FLEXIBLE BUSINESS TERMS: Because of a bureaucratic decision-making process that is risk averse and hinges on getting a "green light" from the highest levels, decisions can take a long time. As a result, companies can expect to wait significantly beyond what are considered "normal" deadlines in the West, resulting in juggling production deadlines, rescheduling orders from other companies, and last-minute requests for changes to product specifications.

-- INVESTMENT IN LOCAL INFRASTRUCTURE: When needed, U.S. companies and their affiliates have invested in local infrastructure to service their Turkmen customers. Examples include oil and gas services and equipment providers and transportation logistics firms. In the case of the official distributor of John Deere and Case New Holland equipment, it has developed a large infrastructure permanently located in Turkmenistan, consisting of over 200 people in country. As such, the company's presence is both highly visible and readily available to its exclusive customer, the Ministry of Agriculture, at any time (Ref. C). The Turkmen value easy access to vendor representatives, so having a local office gives a company a competitive edge.

-- OFFER UNIQUE FINANCIAL AND LOGISTICAL ARRANGEMENTS: While Turkish construction companies have been willing to break ground on projects before contracts have been signed (Ref.

ASHGABAT 00000763 003 OF 004

D), something U.S. firms, particularly public companies, would not be willing to do, one company has been willing to initiate an order's shipment before financing is secured. Upon cancellation of an order, the company also covers the cost of restocking product, worth 15 percent of the sale price. In addition, this company ships parts to Turkmenistan via chartered plane, and allows customers to pay for parts and service in local or hard currency.

-- CULTURAL KNOWLEDGE: U.S. company representatives in charge of accounts in Turkmenistan are often foreign nationals with ties to the region. The Turkmen have responded well to this approach because their engagement takes place within a shared business culture, with similar expectations and points of reference. These executives also understand the importance of personal relationships in this business culture and the need for Turkmen to get to know those with whom they are dealing. U.S. interlocutors might sense that initial meetings are unproductive because they almost never culminate in deliverables. In fact, they serve the important purpose of laying the groundwork necessary for doing business.

VISA REGIME MAKES INITIAL CONTACT DIFFICULT

15. (SBU) Some U.S. companies are exploring the Turkmen market. Accounting firms, manufacturing companies and publishers have attended trade shows in Ashgabat to promote their companies and to research the local market. Other companies rely on short "tourist" visits in order to engage in preliminary research. Cold calling on government ministries can result in no response, but contact through a local partner or by participation in a trade show can open doors. The government is approached by many foreign businesses, more than it can respond to, so having an approach that differentiates a company from the competition, combined with perseverance, is important to gain access. Turkmenistan's strict visa regime is a barrier that can potentially prevent a company from making introductory research and establishing contacts, another reason why many companies work with a partner who has experience in the Turkmen market.

THE WAY FORWARD

¶6. (SBU) Turkmen Government officials at the highest levels have expressed a desire for more U.S. trade with and investment in Turkmenistan. Foreign Minister Rashid Meredov recently emphasized Turkmenistan's need to increase its interaction with U.S. businesses, precipitated by President Berdimuhamedov's remarks that Turkmenistan needs closer relations with foreign business partners in all spheres. From rumors of the President's desire to see a McDonald's open in Ashgabat, to recent high-level meetings between Turkmen officials and U.S. business executives, the government has indicated that it wants a larger U.S. business presence.

¶7. (SBU) With its commercial potential in energy and other sectors, and given its unique environment, worldview, and expectations, an effective U.S. trade and investment promotion policy will leverage private sector interest and efforts with stepped-up USG resources. In particular, the following measures:

-- More resources to support commercial ties: Increased Commercial Service engagement with Turkmenistan, either from Washington and/or regionally, through more visits, support for U.S. trade delegations and more trade promotion in the U.S. about opportunities in Turkmenistan.

-- Increased local staffing: Additional resources at Post would allow the hiring of a locally-engaged staff member who

ASHGABAT 00000763 004 OF 004

would concentrate on commercial affairs.

-- Leveraging the U.S.-Turkmenistan Business Council (USTBC): More prominent business promotion by the USTBC -- starting with a visit by its members to Turkmenistan -- could initiate a dialogue that could create a real agenda for improving the business environment. Turkmen Government officials have called for the USTBC to step up its role. Its members include many companies that already do business in Turkmenistan, providing a useful resource for companies looking for a way to enter the Turkmen market.

¶8. (SBU) Although Turkmenistan likely remains off the radar screen of most U.S. companies, Post has seen a steady and growing stream of companies expressing interest in the Turkmen market and seeking assistance and information about how to get started. Unlike some countries where trade proposals need to be accompanied by a financing plan, Turkmenistan's resource wealth enables this relatively small market to seek out high quality, technologically advanced goods and services, and pay cash. Still, while the country has opened up considerably in recent years and touts its desire to work with foreign partners, its legacy of isolation means that U.S. businesses need to be adaptive, creative and persistent when trying to tap into the Turkmen market. For those companies willing to make the necessary investment in time and resources, Turkmenistan could become a profitable market, as the experience of some U.S. companies already shows.

MILES